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# Introduction to Volume 2

*This volume of the Federal Student Aid Handbook comprises topics pertaining to colleges' general obligations in administering the Title IV student aid programs: institutional and program eligibility, administrative requirements, audits, record keeping, program reviews, and providing information to the public are all explained.*

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Throughout the Handbook we use “college,” “school,” and “institution” interchangeably unless some more specific use is given. Similarly, “student,” “applicant,” and “aid recipient” are synonyms. “Parents” in this volume refers to the parents of dependent students, and “you” refers to the primary audience of the Handbook: financial aid administrators at colleges. “We” indicates the United States Department of Education (Department, ED), and “federal student aid” and “Title IV aid” are synonymous terms for the financial aid offered by the Department.

We appreciate any comments that you have regarding the Federal Student Aid Handbook. We revise and clarify the text in response to questions and feedback from the financial aid community, so please contact us at [fsaschoolspubs@ed.gov](mailto:fsaschoolspubs@ed.gov) to let us know how to improve the Handbook so that it is always clear and informative.

This introduction only summarizes the changes and clarifications presented in more detail in the chapters. For more complete guidance, refer to the text in the chapters cited and the pertinent regulations and statutes.

**Notes on Active Links:** At the top of each page you will find links to the Federal Student Aid Glossary and Appendices, the Code of Federal Regulation (CFR), and Dear Colleague Letters (DCL).

[Glossary](#) [CFR](#) [DCL](#)

## NOTEWORTHY CHANGES

**Important Note:** This volume does not contain guidance on the special provisions pertaining to the Coronavirus pandemic. For that information, schools should refer to the Department’s [COVID-19 Resources for Schools, Students, and Families website](#).

Throughout Volume 2 we moved the text of the margin notes to the body of the page in preparation for converting the FSA Handbook to an HTML version.

The Gainful Employment (GE) regulations under 34 CFR 668 subparts Q and R were rescinded effective July 1, 2020. As a result of this rescission, GE guidance in chapters 2, 4, and 6 has been deleted and is noted below. Requirements located outside of those subparts, such as the requirement for institutions to add new GE programs to their ECAR, remain in effect.

On page 10 we removed the definition of religious institution because the regulations no longer limit the definition of that term as it applies to state authorization requirements.

Pursuant to recent regulatory changes, we updated the paragraph on page 11 about state authorization requirements for distance education.

Similarly, on page 12 we revised the second paragraph under “State complaint process” to reflect changes regarding distance education and the complaint process. Also on page 12, we added the paragraph about schools determining the state where their students are located so as to be able to comply with state authorization requirements, and we added the definition of a state authorization reciprocity agreement.

We amended the last bullet under “General terms and conditions” on page 23 to reflect recent regulatory changes. The general phrase “adverse action” now appears with “final denial, withdrawal, or termination of accreditation” as examples. Previously only those examples appeared. We also changed the text under “Loss of accreditation” on page 139 to reflect this. And we made a similar change—as it applied to accrediting agencies—to the third bullet on the right side of page 218.

On page 30 we updated the definition of programs leading to a baccalaureate degree in the liberal arts. The regulation change removed from the first part of the definition the text about such programs being determined by a school’s recognized regional accrediting agency to be in the liberal arts, the humanities, or the general curriculum.

In Chapter 2 we removed the section on certification requirements for GE programs because the governing regulations were rescinded.

On page 57 we added a section on fraud rings that have been operating in distance education programs, and we linked to a recent electronic announcement that updates guidance pertaining to that.

We added two paragraphs on page 72. The first explains that the Department will make available COD testing in 2021 to allow schools, third-party servicers, and software developers the chance to test their business processes and software before submitting actual data to the production environment. The next paragraph explains that the Department will be upgrading the SAIG and that schools will need to install new software by June 5, 2021, to comply with the upgrade.

On pages 72 and 73 we added and updated links to the IFAP website to reflect changes to it in the previous year. The FSA Download site and the Financial Partners Portal were incorporated into the IFAP site. See the [announcement of February 10, 2020](#), for more information, including an extensive crosswalk between old and new URLs for IFAP content.

At the beginning of Chapter 4, we rewrote the text to improve clarity and to reflect that OMB Circular A-133 was superseded by the Compliance Supplement for the purpose of audits of public and private nonprofit schools.

On page 97 we added a paragraph announcing that the eZ-Audit web-based process will now be used for entities other than domestic schools—foreign schools, third-party servicers, Federal Family Education Loan (FFEL) Program lenders, FFEL lender servicers, guaranty agencies (GAs), and GA servicers—when they submit audited financial statements and compliance audits. Hard copies will no longer be submitted.

On page 98 we added a reference to the electronic announcement of April 9, 2020, (updated in August), which has a 20-page attachment of FAQs about financial responsibility and eZ-Audit requirements.

On pages 98–99 we revised the text for clarity and because of regulatory changes, and we gave it the subheading “General standards of financial responsibility.”

On pages 100–102, because of new regulations, we added the sections “Mandatory and discretionary triggers,” “Recalculating the composite score,” and “Alleviating a triggering event.”

On pages 103 and 104 we amended the paragraph and added the section, respectively, about the treatment of long-term debt and operating leases in the composite score methodology. This treatment was changed by the 2019 regulations.

We deleted the section “Current in debt payments” on page 108 because it represented outdated regulatory guidance.

On pages 109–110 we added the section “Financial protection,” which is new to the regulations.

On pages 110–111 we revised the sections “Zone alternative” and “Provisional certification alternative” for better clarity.

At the end of Chapter 4, we removed the guidance on debt-to-earnings rates for gainful employment (GE) programs because the governing regulations were repealed. For the same reason we also removed the text in Chapter 6 about GE program disclosures and the Disclosure Template.

Under “Change in Ownership” in Chapter 5, we modified the text for clarity and to account for minor regulatory changes to the definition of *closely held corporation* and other terms.

On pages 124 and 125 we added the paragraph and two bullets pertaining to other entities, and we added the sentence about when a nonprofit institution changes ownership.

On page 134 we modified the text about the circumstance in which an additional location does not need to satisfy the two-year requirement when there is no commonality of ownership or management between the acquiring school and the additional location. This too was due to a regulatory change.

Also on that page, we changed the first paragraph under “Teach-outs at closed or closing school locations” to reflect recent regulatory updates.

We added on page 135 the last paragraph under the section “Reporting a new location.” We explain that 1) additional locations can be counted as such only if students receive instruction there and 2) only one location, main or additional, of a school can exist at a single address.

On pages 137 and 138 we added the two bullets and subsequent paragraph immediately under the heading “Changes in Accreditation” to account for updated regulations about schools changing accrediting agencies.

On page 145 we updated the *Federal Register* reference and the civil fine pertaining to Title IV violations by schools.

We added the last bullet, consisting of two paragraphs, under “Academic programs” on page 149 about schools disclosing information when programs are intended to meet the educational requirements for licensure or certification for an occupation. This was a recent addition to the regulations.

On pages 150 and 151 we added the section about the disclosure schools must make when they condition enrollment on arbitration agreements or class action waivers.

Also on page 151, we added the definitions of class action, class action waiver, and pre-dispute arbitration agreement.

On page 152 we added the third bullet under “Transfer of credit policies” about criteria for evaluating prior learning experience. Also on that page, we included the bulleted items about teach-out plans and enforcement actions because they were added to the institutional information regulations under 34 CFR 668.43(a)(19) and (20).

On page 154 we noted that the College Financing Plan will include, new for 2021–2022, separate forms for undergraduate and graduate/professional students.

On page 156 we added the last sentence in the bullet about retention rates, and we amended the guidance about the disclosure of placement rates to account for regulatory changes in 34 CFR 668.41 and 43.

In Chapter 6 we made several changes to the section “Campus Crime and Safety Information” that begins on page 157:

- ◆ We revised the first paragraph for better clarity.
- ◆ We removed references to DCL GEN-15-15 (which is now maintained for historical purposes only) and other resources in the second and third paragraphs.
- ◆ We added the definition of sexual assault to the list of definitions on page 160.
- ◆ We removed the references to and information about the Handbook for Campus Safety and Security Reporting because that publication was rescinded in an [October 9, 2020, announcement](#).
- ◆ We removed the sample statement of availability of the annual security and fire safety reports.
- ◆ We replaced the text in the sections on the crime and fire logs with guidance from the October 9, 2020, announcement.
- ◆ We rearranged the material in the section on distributing the security and fire safety reports.

On page 172 we added the first three full paragraphs to account for new and revised instructions in the regulations.

We added a section on page 173 explaining the new annual student loan acknowledgement process that will begin in 2021 with loans associated with the 2021–2022 award year.

On page 174 we added paragraphs xiii, xiv, and xv, which are new to the regulations. The previous paragraph xiii is now paragraph xvi. These explain new information, similar to that referred to above for pages 150 and 151, about arbitration agreements and class action waivers that schools must disclose to student borrowers as part of entrance counseling.

On page 176 we added a sentence in the first paragraph under “Exit counseling” explaining that instead of mailing or emailing exit counseling materials to students who leave school without completing exit counseling, a school can send them a **direct link** to the counseling materials online. Note that the link must take students directly to those materials and not to another page or related document. We added a similar statement on page 191 under “TEACH grant counseling.”

On page 182 we added the definitions of covered institution and preferred lender arrangement.

We added text to the last bullet under “Sanctions” on page 185 explaining that a proceeding initiated by the Department against a school found to have engaged in misrepresentation could require the school to repay the amount of a loan that was cancelled due to a successful borrower defense to repayment claim based on the misrepresentation. This was a result of regulations that became effective July 1, 2020. We also explained what a borrower defense claim is.

We rewrote the section on foreign gift reporting on pages 185–186 to comport with the [June 22, 2020, announcement](#) of the new reporting system and the revised data that are to be reported.

On pages 188–189 we added the section on First Amendment violations pursuant to recent regulatory changes.

At the bottom of page 208, we updated the email address for questions related to cybersecurity issues.

We rewrote the section on page 209 about the National Institute of Standards and Technology document, *Controlled Unclassified Information in Nonfederal Systems*, because it has been revised and to explain that the Department intends to collaborate with schools in 2021 to help them comply with that document and other cybersecurity requirements.

On page 223 we added a section about the 120-day transition allowable under recent regulations for schools that lose their Title IV eligibility due to a ruling by their accrediting agency or state authorizing entity or by the Department.